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ABSTRACT

When a college or university is faced with financial problems, it can either seek more revenue or reduce costs. With the constantly growing costs of education and research and the increasing resistance of legislators and other financial contributors, cost reduction is becoming the necessary alternative. In taking this route, 11 problem areas need to be considered: 1) the "have to spend it" notion on the part of departments and offices; 2) the "game" of unrealistic budget request to assure that real needs are met; 3) adjustment from traditional prosperity to an "economy diet;" 4) retention of effective programs and faculty and staff momentum; 5) attraction of outstanding staff in areas of need; 6) the administrative attitude that "success" is measured in terms of quantity of new faculty added each year; 7) the expensive research and grantsmanship syndrome and its often undesirable side and after effects; 8) the costly acquisition and utilization of computer hardware; 9) excesses and wastes created through personnel surpluses and course proliferation; 10) substitution of an innovative role for the traditional "caretaker" role of the administrator; and 11) acceptance and support for economy programs that many will perceive as threatening. (DS)

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As any financial manager knows when faced with a money squeeze there are two routes.

1. Seek more revenue or income
2. Reduce costs.

Many of us have been more accustomed, especially in recent years, to take the road to increased revenue. However, with inflation on the national scene and constantly growing costs of education and research, in the face of increasing resistance on the part of legislators and others responsible for providing funds to universities and colleges, the squeeze has begun and many are now turning to cost reduction as a way to reduce the pressure. Though not having given up in efforts and hopes for more revenue, the prospects are not bright; we do need to prepare; and equally as important - good management calls for ever-present efforts toward most effective use of resources.

It is not an easy road, even through we know there are pockets of fat in various areas of the organization. They inevitably tend to build up during years of relative plenty. Our problem is a much more difficult one than found in non-educational private enterprise. There, during economy moves, the trimming goes ahead, even though it may seem to be a harsh impersonal process. Job tenure is not an impo consideration. Look, for example, at recent efforts in the Chrysler Corporation where large chunks of the administrative and operational flesh are carved away.

Let us address ourselves to some of these areas, as seen from the point of view of a management professor, with more than twenty years of teaching-administration experience. If we can clearly identify our problem, and understand why, we are in much better position to cope with it.

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Please understand, however, this is not a description of the situation at the University of Missouri. It is, rather, a collection of ideas gathered from reading, conversation, thinking, and observations in interacting with colleagues from many many institutions.

This session I believe is planned as a panel discussion, and my remarks are designed to provoke thought and reaction. I hope my fellow panelists and you will react.

One basic problem, which needs much attention, is the budget game and the constraints financial managers have to face in the academic area. First, there is the widespread belief and practice that all allocated funds must be spent by the end of the fiscal year - or the money is gone. In fact, in practically all cases, there is no way to carry appropriated funds from one fiscal period to another, or even get credit for not spending all of it. The irony is that if we don't spend it all it is often a "black mark". The "expert" at the game continually is crying for more, rather than showing how much he has wisely conserved.

This can be a deadly contest and inherently wasteful. The situation is likely to worsen as time goes on, as those on the requesting and receiving end of funds attempt to outguess the allocating authority. As one may say to himself "I asked for $100,000 last year and only received $80,000. Next year, I need $120,000, so I am going to ask for $180,000 to be sure I get what I want - and a little more". Soon the allocators catch on, and play the other side. In the meantime, budget requests no longer mean anything in relation to real and deserving needs - it is simply gamesmanship. I know how events could lead up to this process having had three years of experience as a budget officer, being responsible for the allocation of many millions of dollars of federal money.

Thus, we should keep looking to find answers to two questions:

1. What can be done to change "the have to spend it all idea"?

2. What can we do to reduce (and ideally eliminate) the gamesmanship in budgeting and fund allocations?

We face several more problems from the academic point of view. I presume we could state our objective as achieving significant economies without weakening or shortening any of the three legs of the educational tripod - teaching, research, and service. In fact most of us could hardly agree to that statement, for it suggests the status quo. Rather we would like to achieve economies and at the same time strengthen each of the three legs. Indeed, that is a challenging assignment!

The decade just ending has generally been a good one in education. The public and their legislative representatives by and large have been responsive. New programs, new buildings and facilities, higher salaries, and additions to staff have characterized this period. This brief pattern of growth has developed strong expectations among the people who work in the University and College. It isn't easy to change one's thinking from everything gets better each year to a reduced diet, even though progress may continue at a lesser rate. In the face of this is the rising cost of living which affects all programs and people.

At the same time, these expectations have been building among the administrators, faculty, and staff, the job market has become tighter and tighter, certainly for top notch administrators and high grade experienced and inexperienced faculty. As a department chairman for seven years, and speaking from that experience just completed, these observations are relevant.

1. The starting salary for the young and/or inexperienced Ph.D. has been rising from $1,000.00 to $1,500.00 each year.

2. Each year he expects to find more of everything awaiting at the institution he will join, among which are:

a. A light teaching load. When I began teaching many years ago, the better schools would expect 12 hours (excepting a few of the top notch who then were at 9 or 6 for outstanding faculty). About ten years ago, this decreased to nine hours. Now many faculty expect six or less at ranking institutions? And all of us have to compete with other schools that grant this. (Parenthetically, I should add, there is partial reason ~~for this~~ - research and grants and I will speak to that matter shortly.) They also expect:

b. Small numbers in classes

c. Liberal secretarial assistance

d. Grading assistance

e. Graduate student and other research assistance

f. An opportunity for consulting

g. Liberal fringe benefits

One could go on with these expectations and attitudes, all of which involve increasing sums of money. One University may say we are going to invoke a program of austerity, but what are their competitors doing in the meantime? Too, these characteristics have become prestige symbols among Universities.

6. Also in brief reference, there is possible be another problem. Some deans and department chairman measure their administrative success in additions to numbers. How many new staff did I hire last year? The more hired, the more successful he thinks he has been. This is most unfortunate, for the quantitative gain does not necessarily bring qualitative improvement or relief at various teaching pressure points. It

is simply a use of funds, often resulting in undesirable proliferation of courses. Thus four more questions are before us:

1. What can we do to change attitudes from prosperity to economizing?

2. What can we do to retain effective programs, administrators, faculty, and staff?

3. How can we continue to attract new staff?

4. What do we do with the academic administrative frame of mind in performance measurement - quantity vs quality?

With six potential problems to be considered, we turn to a seventh, which is especially worrisome because it touches a basic nerve in in current university and college thinking. I'll call it "research and grantsmanship". Whether we agree or not, there have been changes in basic objectives among many universities and colleges in the last ten years. The tripod concept has altered. The teaching leg has shortened; the research leg gained several inches, and depending where you go the service leg has remained the same, been shortened, or extended.

In many universities, regard for top notch teaching skills has been overshadowed by emphasis on research. In the battle for "excellence" institutions have sought "publishers". Many argue that a good teacher must publish - or a "good publisher" is a good teacher. (That is often coincidence rather than being functionally related.) In any case, research is expensive, especially if institutionally supported. It frequently and currently suggests reduced teaching loads as well as additional assistance in research helpers and secretarial force. At the same time, the student body grows, classes get larger, but certain faculty push for smaller and fewer classes so

they can do research. At the same time the reward system in faculty circles has often moved to the side of publications, and the weight on the scale contributed by teaching diminished.

Concomitantly, the service sector may also have been suffering through amputation of part of its leg. (By service, I am thinking of adult education programs, committees, etc.) With rewards on the side of publication the external and internal service role, if it is to maintain itself, and hopefully grow, will require more money, separate people, and/or additional compensation to be provided to existing staff. Viewing from the standpoint of an economic-minded faculty member, who wishes to increase his worth in his present position, and marketability to other institutions, why should he spend his time in committee meetings or extension classes?

Let us take a moment with the relatively new and valuable talent of "grantsmanship". Research and teaching support from outside sources has been looked upon as the panacea for many financial ills of the academic administrator. Let me emphasize that I do not depreciate in any way the worth or prestige building nature of these awards, except when the attraction of such funds leads to prostitution and disastrous distortion in the direction or emphasis of educational objectives. But, we must be careful that outside or "soft" money, as one administrator I know calls it, does not lead in the long run to greater demand for "hard" money to come from the treasury of the institution. How many of you have found that the grant in year one or two led to a need to pick up the tab in year three and thereafter? Seed money is helpful, if the resultant crop is of the varity the institution needs and can support.

Our seventh area of concern then is a two-fold one:

1. How to cope with the skyrocketing direct and indirect

costs of research.

2. What should and can we do about the possible undesirable after-effects of grants?

An eighth point to consider is the computer revolution. No one in his right mind would deny that tremendous gains have been made in research and education because of the computer. And yet how many of us have ever attempted to study and analyze the costs related to its use. They are indeed great, and I suspect there are a number of economies to be sought in this area.

You have heard of Parkinson's Law. To refresh memories, it can be stated as a two-pronged concept - the law of multiplication of subordinates and the law of multiplication of work. To that I should like to add a third prong - the law of proliferation of courses.

Especially during years of financial plenty and institutional growth there is a strong tendency to add staff, without the care and scrutiny that could be involved if money were scarce. Add to this what Parkinson tells us about administrators, wishing to add to their importance and possibilities for promotion by adding to their staff. At the same time sheer numbers of people make work for one another, but as far as total output is concerned there is no additional contribution. Let me quote directly from Parkinson:

"A fancies himself overworked (he really wants a grade promotion) so he recommends the appointment of two subordinates C and D (subordinates must number two or more, each being kept in order by fear of the other's promotion). With no change (or even a decrease) in over-all work load, the three make so much work for each other that soon C and D are demanding assistance, and each eventually acquires two subordinates; E,F,G, and H are added to the staff. (The promotion

of A is now practically certain.) Seven officials are now doing what one did before.... These seven make so much work for each other that all are fully occupied and A is actually working harder than ever. An incoming document may well come before each of them in turn. Official E decides that it falls within the province of F, who places a draft reply before C, who amends it drastically before consulting D, who asks G to deal with it. But G goes on leave at this point, handing the file over to H, who drafts a minute, which is signed by D and returned to C, who revises his draft accordingly and lays the new version before A.

What does A do? He would have every excuse for signing the thing unread, for he has many other matters on his mind. Knowing now that he is to succeed W next year he has to decide whether C or D should succeed to his own office. He had to agree to G going on leave, although not yet strictly entitled to it. He is worried whether H should not have gone instead, for reasons of health. He has looked pale recently--partly but not solely because of his domestic troubles. Then there is the business of F's special increment of salary for the period of the conference, and E's application for transfer to the Ministry of Pensions. A had heard that D is in love with a married typist and that G and F are no longer on speaking terms--no one seems to know why. So A might be tempted to sign C's draft and have done with it. But A is a conscientious man. Beset as he is with problems created by his colleagues for themselves and for him--created by the mere fact of these officials' existence--he is not the man to shirk his duty. He reads through the draft with care, deletes the fussy paragraphs added by C and H and restores the thing back to the form preferred in the first instance by the able

(if quarrelsome) F. He corrects the English--none of these young men can write grammatically--and finally produces the same reply he would have written if officials C to H had never been born. Far more people have taken far longer to produce the same result. No one has been idle. All have done their best. And it is late in the evening before A finally quits his office and begins the return journey to Ealing. The last of the office lights are being turned off in the gathering dusk which marks the end of another day's administrative toil. Among the last to leave, A reflects, with bowed shoulders and a wry smile, that late hours, like gray hairs, are among the penalties of success."

As far as multiplication of courses is concerned, there are two thoughts deserving attention. First, as new faculty are added, the additions often do not relieve the problem of large enrollments in bread and butter courses, but rather result in additions to course offerings to suit a new faculty member's teaching interest. These frequently become the low enrollment esoteric type of courses, while the courses with full rooms continue. To make matters worse the full room situations are the primary ammunition for the academic administrator to justify his claims for "needed" additional staff.

As this is going on, few think of dropping courses from the list of offerings. Once a course has been approved there is a strong tendency for it to be set in concrete for posterity.

Problem ten, and related to this last point, is the caretaker vs. innovator role of the academic administrator. Students of management tell us that there are strong inherent forces that lead administrators to try to perpetuate themselves in office. To remain in the job becomes the overriding consideration. He thus becomes a caretaker rather than innovator. Rather than rock the boat by suggesting and

encouraging his faculty to review course offerings and taking the hard line in economy moves, he prefers the status quo. Of course, this problem is not peculiar to the academic. It may be found in all organizations.

Finally, as the time is catching up with me, is the "people problem" we face. Most of us prefer the status quo; few of us like change unless we perceive it as something from which we will derive benefit and no loss. Cost reduction has a threatening image. All see it as an evil weapon that threatens the status quo. The best salesmanship in the world will not bring cooperation if those involved perceive threats. The fact that there is no threat is not important. What the person himself perceives is the crucial issue. And if we simply use the Maslow framework of needs (psysiological, safety, love, esteem, and self-actualization) it is not difficult to understand why cost-cutting creates a deadly image.

In summary, there are at least eleven possible problem areas that need attention if educational institutions are to serve their mission of teaching, research and service, through more effective use of existing resources, in the face of inflation and economy minded legislators.

1. The "have to spend it" concept

2. Gamesmanship in the budgeting and fund allocation process

3. Making the shift from more and more resources each year and gaining acceptance for an economy diet.

4. Retaining the momentum of progress and effective programs, administrators faculty and staff.

5. Being able to attract outstanding staff in the areas of need

6. Effectively dealing with the administrator's attitude that success is measured in terms of how many new faculty have been added each year.

7. Handling the expensive research and grantsmanship syndrome and its undesirable side effects on the balance of teaching, research, and service.

8. Taking a close look at acquisition and utilization of costly computer hardware and personnel toward the goal of optimization

9. Searching out the excesses and waste created through the operation of Parkinson's law in:

a. Personnel surpluses

b. Work for work's sake

c. Course prolification

10. Substituting the innovative approach for the administrative caretaker of the status quo.

11. Coming to grips with the more general and widespread frictions that impede change, and gaining acceptance and support for economy programs that so many will perceive as threatening.

It was not my intention in twenty to thrity minutes to pose and solve these and other problems. Rather, I thought I might bring some of the difficulties into focus and use them as a springboard for discussion. I hope we will have lots of reaction and comment.